



**U.S. Department of
Health and
Human Services**

Health Care
Financing
Administration

Health Maintenance Organizations and Medicare



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Today, Health Maintenance Organizations (HMOs) can provide comprehensive health care to Medicare beneficiaries. The Health Care Financing Administration (which administers the Medicare program) encourages beneficiaries to consider the possibility of joining an HMO health plan. This question and answer brochure will help you understand some of the advantages and limitations of receiving your health care through an HMO.

What is an HMO?

A Health Maintenance Organization might be thought of as a combination of insurance company and doctor/hospital. Like an insurance company, an HMO pays health care costs in return for a monthly premium. Like a doctor or hospital, it furnishes actual health care.

Because an HMO both pays for and provides health care, costs are kept as low as possible.

There Are Two Kinds of HMOs:

- Those operating at one or more centralized locations
- Those operating through individual participating doctor's offices

What Health Services Do HMOs Offer?

HMOs with Medicare contracts offer all services covered by Medicare. Many HMOs (for an additional premium) also offer services above and beyond those covered by Medicare. For a list of Medicare-covered services, see *Your Medicare Handbook*.

Are HMOs a New Idea?

HMOs are not new. They have existed in this country for nearly 50 years. However, only in the past 10 years has their popularity increased. That is because people are discovering that HMOs offer comprehensive health care at reasonable prices. As a result, today there are nearly 300 HMOs nationwide, with nearly 8-million members. Many of these HMOs have Medicare contracts.

Why Join an HMO?

People join HMOs for a variety of reasons. Some of the most frequently mentioned are:

- Availability of various kinds of care needed (for example, doctor's services, hospital care, laboratory tests, x-rays, etc.)

- Fixed monthly payment (makes budgeting of total health care expenses easier)
- No need to pay each time you need service (true for most HMOs, but some may charge a nominal fee for individual services)
- Availability, at many HMOs, of benefits beyond those covered by Medicare (for an additional monthly charge)
- Availability of emergency care 24 hours a day, 7 days a week

HMOs try to save you money by treating illness early, thus reducing the potential for expensive and inconvenient hospital stays. They also encourage preventive care by teaching you how to stay healthy.

How Do HMOs Work under Medicare?

Many HMOs have contracts with the Medicare program. Under these contracts, Medicare pays the HMO each month for most of the cost of your health care. You pay the HMO a monthly premium which covers the cost of the deductibles and coinsurance for which you are responsible.

An HMO with a contract must offer a *low option* plan. The low option plan has all the Medicare-covered benefits.

If the HMO wishes, it may offer additional benefits beyond those covered by Medicare, a *high option*. Should you choose the high option plan, you would be required to pay the HMO an additional premium (a fixed monthly amount) for these non-Medicare-covered benefits.

Must I Continue to Pay the Medicare Medical Insurance (Part B) Premium?

Yes, you must continue to pay your monthly Medicare medical insurance premium, to keep your coverage under Medicare Part B. The premium you pay the HMO is for deductibles and coinsurance. It is not the premium for Part B of Medicare (medical insurance).

The premium you pay the Government covers your share of the cost for Medicare Part B, whether or not you join an HMO. For most people, this premium will continue to be deducted from their monthly Social Security check.

Are There Other Requirements to Join an HMO?

Yes. You must:

- Live in the area served by the HMO under its Medicare contract;
- Have Medicare Part B (medical insurance); *and*
- Agree to follow the HMO rules.

What About Services Not Covered by Medicare?

Some HMOs offer you Medicare-covered services only. Others offer additional services for an additional fixed monthly premium. If an HMO offers these additional services, you then can choose to (1) pay the additional premium for those additional benefits or (2) pay a lower premium and be eligible for Medicare-covered services only.

Will I Always Have the Same Doctor?

When joining an HMO, you select a doctor from those who are part of the HMO. When making an appointment, you usually will see the doctor you have selected. However, should you need to see a doctor quickly, and your selected doctor is busy, you may see another HMO doctor. Also, you may change doctors, if you so desire.

What About Specialists and Hospital Care?

If you need a specialist, the HMO will arrange for the appointment and pay the full charge of the specialist. If hospitalization is required, the HMO will make all arrangements and pay the full cost of covered hospital care. Because the HMO arranges for all your health care, it has your complete medical records. The HMO will make these records available to any doctor treating you.

What If I Get Sick Away From Home?

When you are temporarily outside of the HMO service area, it pays for any emergency medical care you need. However, if you voluntarily seek and receive routine care outside of the HMO service area, the HMO will not pay for it. Since this is the case, if you live outside the service area most of the time, it may not be to your benefit to join an HMO.

Are There Any Other Factors to Consider in Deciding Whether to Enroll in an HMO?

Consider whether the HMO is in a location convenient to you and whether adequate transportation is available to get you to the HMO. Consider, too, that if you receive services outside the HMO system, you may have to pay an additional fee.



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If you have a longstanding and satisfactory relationship with your present physician, you may not wish to change to an HMO physician and a new way of obtaining health care which uses auxiliary personnel and a staff larger than the traditional, more intimate private practice. Consider all the advantages and disadvantages in deciding whether an HMO will be of benefit to you.

What If the HMO Will Not Pay for Necessary Care?

If an HMO denies payment for any service outside its service area, and you strongly believe it should pay, you have the same appeal rights as under the regular Medicare program. These rights are explained in *Your Medicare Handbook*.

If you should ever decide that you no longer wish to be a member of an HMO, you may leave at any time, but you must first give the HMO notification of your intent 30 days prior to leaving.

How Can I Find Out More?

For more information, contact your local Social Security Office. Its staff can tell you about any HMOs with Medicare contracts in your area and how to get more specific information about them.